DOCUMENT RESUME

ED 414 868 HE 030 867

TITLE	Education Programs: Major Issues Affecting Postsecondary Education, School-to-Work, and Youth Employment Programs.
INSTITUTION	General Accounting Office, Washington, DC. Health, Education, and Human Services Div.
REPORT NO	GAO-HEHS-97-212R
PUB DATE	1997-09-15
NOTE	31p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 37050, Washington, DC 20013; phone: 202-512-6000; fax: 202-512-6061 (B-277901, first copy free, additional copies $2 each).
PUB TYPE	Reports - Descriptive (141)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	Academic Persistence; *Access to Education; Accountability; Disadvantaged Youth; Dropout Programs; Education Work Relationship; Educational Quality; *Federal Aid; Federal Programs; Financial Audits; Higher Education; Job Skills; Job Training; Labor Force Development; Loan Repayment; Management Information Systems; Money Management; Noncollege Bound Students; Paying For College; Postsecondary Education; Program Administration; School Business Relationship; School Holding Power; *Student Costs; *Student Financial Aid; Tuition

ABSTRACT

This document summarizes major postsecondary education issues and school-to-work and youth employment programs for the Education Task Force of the U.S. Senates's Committee on the Budget, and is based on General Accounting Office (GAO) studies completed during 1990-1997. The discussion of postsecondary education issues centers around five themes: ensuring access, increasing retention, improving quality, increasing affordability, and improving financial aid program management and oversight. It is noted that while postsecondary education is important to students' future earning power, the cost of attending college is rising rapidly. In addition, some federal programs designed to help educationally and economically disadvantaged youth enter, stay in, and complete postsecondary education have had limited effectiveness. Also identified are some of the financial management and oversight problems, along with congressional and agency actions taken to address these problems. Programs to help noncollege-bound youth obtain alternative work skills also have not lived up to expectations, and there is a discussion of the Job Training Partnership Act youth programs and the Job Corps programs. Appended is a list of related GAO documents. (SW)

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United States
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ED 414 868

B-277901

September 15, 1997

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The Honorable Bill Frist
Chairman, Education Task Force
Committee on the Budget
United States Senate

Subject: Education Programs: Major Issues Affecting Postsecondary Education, School-to-Work, and Youth Employment Programs

Dear Mr. Chairman:

This correspondence provides information requested by the Committee's Education Task Force on July 18, 1997, summarizing work we have completed from 1990 through 1997 on postsecondary education, school-to-work, and youth employment training issues. In addition, today we are separately reporting on preparatory education issues.[1] These materials may be useful as the Committee continues to explore problems in the American education infrastructure and in informing the federal government about its role in addressing them.

Obtaining a postsecondary education is becoming even more essential to students' future earning power, while the cost of a postsecondary education is rising rapidly, contributing to the difficulty of students affording a postsecondary education. In addition, some federal programs designed to help educationally and economically disadvantaged youth enter, stay in, and complete their postsecondary education or noncollege-bound youth obtain alternative work skills have not lived up to their expectations. The limited effectiveness of these programs has contributed to the difficulty of some at-risk youth obtaining a postsecondary education.

In addition, the Department of Education, the principal federal manager of most of these programs, has had problems in implementating and overseeing student

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[1]Education Programs: Information on Preschool, Elementary and Secondary Education Programs (GAO/HEHS-97-210R, Sept. 15, 1997).

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financial aid programs, as well as managing the programs. This has led us to identify its student financial aid programs as high risk because of vulnerabilities to waste, fraud, abuse, and mismanagement.

In our past work, we have not only discussed problems that kept some of these programs from meeting their statutory objectives, but also identified ways to improve the programs. We discuss some of these problems, as well as congressional and agency actions to address them, in enclosure I.

Enclosure I identifies and organizes the major issues concerning our previous work on postsecondary education, school-to-work, and youth employment training programs. For each issue, we have summarized our work, including major conclusions and recommendations, and the action taken by the Congress or agencies. A list of relevant major GAO products appears in enclosure II.

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We are sending copies of this correspondence to the Chairman and Ranking Minority Member of the Committee on the Budget, the Secretaries of Education and Labor, other congressional committees, and others who may be interested.

If you or your staff have any questions, or wish to discuss this material further, please call me at (202) 512-7014. Major contributors include Jay Eglin, Assistant Director, and Chuck Shervey.

Sincerely yours,

Carlotta Joyner

Carlotta C. Joyner
Director, Education and
Employment Issues

Enclosures - 4

INFORMATION ON MAJOR POSTSECONDARY EDUCATION, SCHOOL-TO-WORK, AND YOUTH EMPLOYMENT PROGRAMS

POSTSECONDARY EDUCATION ISSUES

Higher education is a growing American industry with $173 billion in total expenditures and 2.6 million employees in the 1993-94 academic year. During the 1994-95 academic year, more than 9,900 2-year and 4-year colleges and vocational and technical schools offered postsecondary education. Federal appropriations for major postsecondary education programs totaled about $9.4 billion for fiscal year 1997, and the administration requested about $13.9 billion for fiscal year 1998 (see encl. III).

In the fall of 1994, America's higher education system enrolled 15.1 million students, including 456,000 foreign students, and its schools conferred 2.2 million associate, bachelor's, master's, doctoral, and professional degrees. From 1974 to 1995, the portion of high school graduates who attended a postsecondary institution rose from 48 to nearly 62 percent. In addition, enrollment increased for nontraditional students, such as older students and those attending school part time. The portion of the postsecondary education population with one or more of these nontraditional characteristics increased from 65 percent in 1986 to 69 percent in 1992.

Since 1980, a student's ability to afford to attend college has declined as college tuitions have risen faster than incomes, grant aid,[2] and state funding for public colleges. In 1996, we reported that tuition and fees at 4-year public colleges increased 234 percent during the 15-year period ending with school year 1994-95; median household incomes and the consumer price index rose by 82 percent and 74 percent, respectively, during the same period.[3] (See fig. I.1.)

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[2]Grant aid can be from federal or other sources. Federal Pell grants, which represent the largest amount of federal funds appropriated for student financial aid, are made available to students with the greatest financial need.

[3]Higher Education: Tuition Increasing Faster Than Household Income and Public Colleges' Costs (GAO/HEHS-96-154, Aug. 15, 1996).

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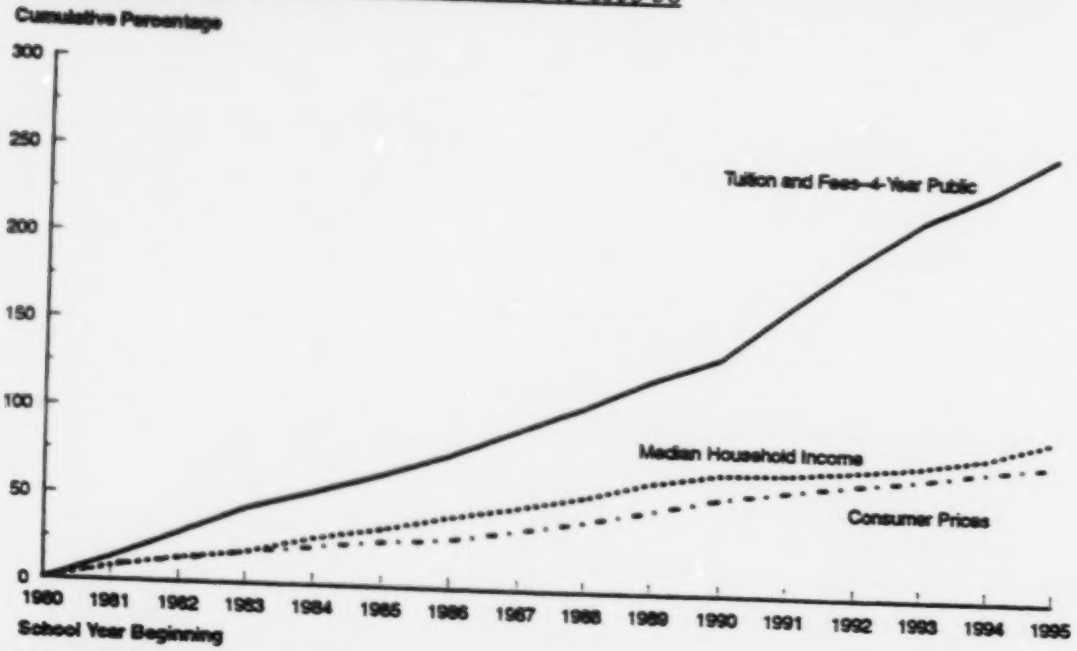
ENCLOSURE I

Figure I.1: Comparative Increases in Tuition, Median Household Income, and Consumer Prices, School Years 1980-81 to 1995-96



Since 1987 at 4-year public colleges and universities, the mix of Pell grants and federal student loans[4] has shifted from 67 percent loans and 33 percent grants to 85 percent loans and 15 percent grants in 1995, as shown in figure I.2.

[4]The two largest federal student loan programs are the Federal Family Education Loan Program (FFELP) (the government guarantees loans provided by private- sector lenders) and the Federal Direct Loan Program (FDLP) (the government makes loans directly to borrowers).

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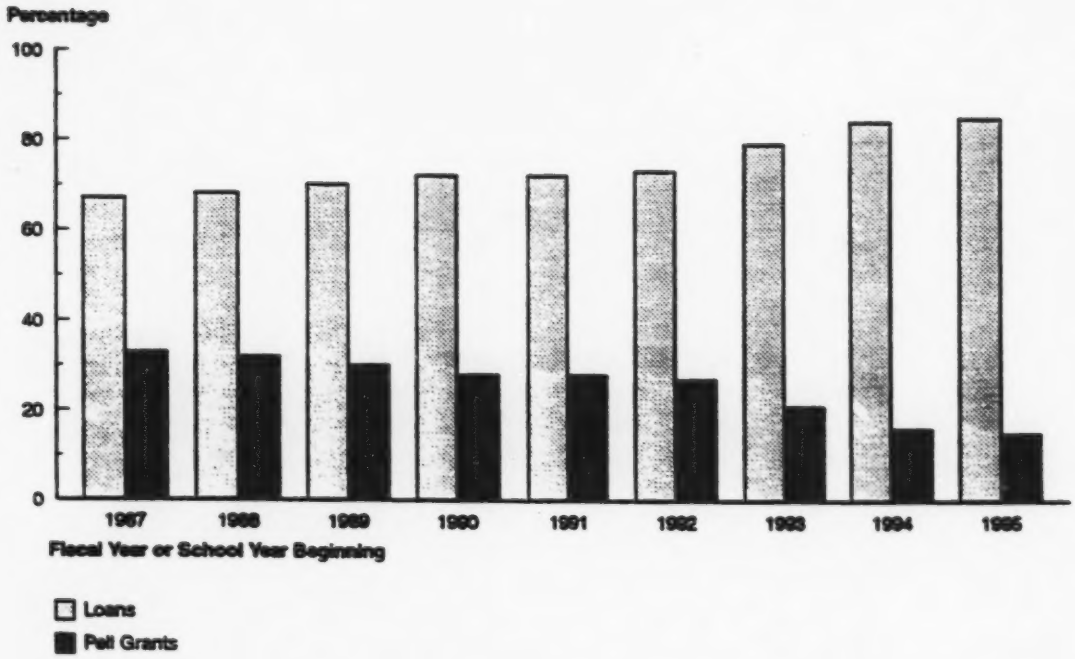
Figure I.2: Distribution of Pell Grants and Federal Student Loans to Students at 4-Year Public Colleges and Universities



As college tuition and fees continue to increase, more students and their families are borrowing. The total volume of new federal student loans more than doubled between 1987 and 1995, from $9.7 billion to $23.1 billion.

The growth of the higher education industry has not been without its problems. Socioeconomically and educationally disadvantaged high school students from low-income families and certain ethnic groups attend and complete college at much lower rates than other students. Concerns also exist about the quality of college education being provided and the management of higher education programs and funds by the Department of Education, schools, lenders, loan guaranty agencies, and loan servicing companies. These are the key issues that must be addressed if the United States is to remain internationally competitive and the predominant world source of a quality college education in the future. The following discussion involves five major themes: ensuring access, increasing

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retention, improving quality, increasing affordability, and improving financial aid program management and oversight.

Ensuring Access

A primary objective of federal postsecondary education programs is to ensure access for qualified students. Although the rate of college enrollment among high school graduates has risen steadily in the last decade, a wide disparity in enrollment exists among certain racial groups and income levels. For example, in 1993, 67 percent of high school graduates were enrolled in postsecondary education. However, white students enrolled at a higher rate (69 percent) than black students (55 percent), and students from higher income families enrolled at a higher rate (86 percent) than those from lower income families (45 percent).

Thus, to narrow the enrollment gaps for students in these racial and income groups, it is necessary to encourage and help students from minority and low-income families to earn better grades in high school to prepare better for college or to find a better way to help less prepared students from minority and lower income families to enroll in postsecondary education.

Generally, the federal government has addressed college access through an array of student financial aid programs. The availability of federal grant, student loan, work study, and national service financial aid allows eligible students from all income levels the opportunity to pursue a postsecondary education. Even students who have not obtained a high school diploma (or equivalent) may qualify for federal student aid if they can demonstrate an ability to benefit from studying at a postsecondary school.

Certain federal student aid programs are designed to help selected populations, particularly those with the greatest financial need, more readily obtain access to higher education. Examples include the TRIO and Supplemental Educational Opportunity Grant (SEOG) programs. TRIO is a series of programs that provides remedial and support services to disadvantaged undergraduate students before and after they are enrolled in college. A postsecondary education institution's most needy students receive SEOGs. These grants are distributed first as supplemental aid to students who receive Pell grants, and any remaining SEOG funds are then distributed to other students on the basis of their financial need.

Our past work has addressed a series of topics on college access. This work includes a 1992 report in which we concluded that interest subsidy payments to

lenders on the guaranteed student loans they make or hold could be reduced to save the government money, yet allow student access. We also reported on the use of scholarships targeted to minority students,[5] early benefits and costs related to Americorps*USA,[6] and the controls in place at the Department of Education to prevent student financial aid payments to ineligible noncitizens.[7]

In 1991 we reported, for example, that most SEOG funds go to the intended recipients.[8] However, we also found that the amount of SEOG funds that students receive may depend more on which schools they attend, rather than on their financial needs. This is mostly due to the way SEOG funds are distributed among the nation's schools. Schools annually receive SEOG funds largely on the basis of the amount of funds they have received in past years, but this may not necessarily reflect the relative need of the students they currently enroll. We suggested that the Congress consider amending the Higher Education Act of 1965, as amended, to more equitably distribute SEOG funds. No such action has been taken to date, however.

In 1992, we analyzed the potential impact of lowering the federal subsidy paid to commercial lenders who make or hold guaranteed student loans.[9] The Congress was exploring alternative ways to cut student aid costs without adversely affecting students' access to loan capital. Some were concerned that reducing the federal subsidy rate would lead to a diminished supply of guaranteed loans from commercial lenders. Our analysis showed that the subsidy rate at the time was 3.25 percent–probably higher than the rate necessary to retain most lenders in the program. We recommended that the

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[5]Higher Education: Information on Minority-Targeted Scholarships (GAO/HEHS-94-77, Jan. 14, 1994).

[6]National Service Programs: Americorps*USA–Early Program Resource and Benefit Information (GAO/HEHS-95-222, Aug. 29, 1995).

[7]Higher Education: Verification Helps Prevent Student Aid Payments to Ineligible Noncitizens (GAO/HEHS-97-153, Aug. 6, 1997).

[8]Student Financial Aid: Most Supplemental Education Opportunity Grants Are Awarded to Needy Students (GAO/HRD-92-47, Jan. 31, 1992).

[9]Stafford Student Loans: Lower Subsidy Payments Could Achieve Savings Without Affecting Access (GAO/HRD-92-7, Jan. 6, 1992).

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subsidy rate be reduced to 3.0 percent. Subsequently, the Congress reduced the subsidy rate to 2.5 percent, saving the government about $165 million without affecting students' access to loans or enrollment in school.

Raising Retention

About one-third of college freshmen drop out before they begin their second year, and only about half eventually graduate. College students' ability to stay in school (referred to as persistence) through graduation varies considerably depending on their high school grades, Scholastic Aptitude Test scores, family income, and ethnicity. Colleges also vary greatly in retaining students. For example, schools that have highly selective admission standards (accept freshman who were in the top 10 percent of their high school graduating class) had an average freshman-to-sophomore persistence rate of 90.7 percent in 1997. In contrast, schools with open-admissions standards (accept all high school graduates up to limits of capacity) had an average persistence rate of only 53.9 percent in 1997.

Persistence in postsecondary education is important for several reasons. From a student's perspective, those who persist through graduation greatly increase their lifetime earnings potential. In 1994, a college graduate earned 73 percent more per hour than someone with a high school diploma. On the other hand, students who dropped out of college may have done little to improve their earnings potential. Yet students who dropped out may have incurred additional financial liabilities from student loan debt and are more likely to default on their student loans. A student's failure to persist, therefore, can be costly not only for the student, but also to the government and for society as a whole.

Federal student aid programs may help many students stay in college who might have otherwise dropped out for financial reasons. In addition, one component of the TRIO programs–Student Support Services–provides funding to higher education institutions to help them improve their retention and graduation rates for low-income students or those with disabilities. In 1998, the Department is requesting about $169.9 million to help approximately 179,500 participants. This program, however, can help only a small portion of students who might benefit from such assistance.

Partly because of the rather few federal dollars directed to helping students persist in college, we have done little work on student retention. We have reviewed the combination of federal student aid grants and loans provided to students and the restructuring of students' financial aid packages to help improve the persistence rates of minority and low-income students. For

example, our 1995 analysis of low-income students showed that a $1,000 increase in grant aid reduced the probability that a low-income student would drop out and that an equal increase in loan aid did not have a statistically significant effect on these students' persistence.[10] In addition, giving students mostly grants in their first year of college and gradually substituting loan aid in subsequent years (referred to as frontloading grants) could significantly reduce the dropout rate, according to our work.

Although the Department of Education thought that frontloading held promise, it said it may need specific legislative authority before considering a frontloading pilot program. The Congress has yet to give the Department that authority.

In addition, federal financial aid programs can help students enrolled in college who need remedial education. For example, we reported that 13 percent of aid provided to a sample of 430 schools went to undergraduates enrolled in at least one remedial course.[11]

Improving Quality

Helping to ensure that postsecondary institutions provide students with quality education or training worth the time, energy, and money they invest has traditionally been a responsibility shared by school accreditation agencies, the states, and the Department of Education. Because school operations, curricula, and instruction are state and school responsibilities rather than federal ones, the Department relies on accrediting agencies and states to determine and enforce standards of program quality. The Department, as specified in the Higher Education Act of 1965, as amended, (1) approves individual accrediting agencies as the reliable authorities to help ensure that schools provide quality education and training and (2) certifies schools by focusing more on their administrative and financial capabilities and soundness rather than evaluating the quality of the education they provide.

Since the late 1980s, the Congress and the postsecondary education community have been quite concerned about the quality of institutions in the proprietary (private for-profit schools) sector. Although proprietary schools make an

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[10]Higher Education: Restructuring Student Aid Could Reduce Low-Income Student Dropout Rate (GAO/HEHS-95-48, Mar. 23, 1995).

[11]Student Financial Aid: Federal Aid Awarded to Students Taking Remedial Courses (GAO/HEHS-97-142, Aug. 21, 1997).

important contribution to the nation's economic competitiveness by providing occupational training to those who are not college bound, some proprietary school operators have enriched themselves at the expense of economically disadvantaged students, while providing little or no education in return. Faced with large debts and no new marketable skills, these students often default on their loans. Default rates for proprietary school students peaked at around 41 percent in 1990, when the student loan default rate for all postsecondary institutions averaged about 22 percent. In 1991, the government paid lenders $3.2 billion to cover loan defaults--more than triple the amount paid in 1987.

Because of the large number of loan defaults and our work and that of Education's Office of Inspector General (OIG), the Congress and the Department have taken several actions to address this problem. For example, the Higher Education Amendments of 1992 addressed program integrity concerns by including provisions to encourage the states to more actively oversee schools, and the Student Loan Default Prevention Initiative Act of 1990 allowed the Department to begin barring postsecondary schools with exceptionally high default rates from federally guaranteed student loan programs. Since the default prevention initiative began in 1991, Education has barred 672 schools (most of which were proprietary schools) from participating in federal student aid programs, and the default rate for proprietary schools has dropped to 21.1 percent. Defaulted loans have totaled about $2.5 billion annually the last couple of years, but the government's total costs related to defaulted loans have been declining, to $249 million in 1996, mainly because of subsequent efforts by the Department and its activities to collect on these loans after default claims had been paid to lenders.

Our work on institutional quality in the last 5 or 6 years has concentrated mainly on the Department's efforts to reduce loan defaults and increase the collection of defaulted loans and related issues. For example, in 1995, we reviewed the process the Department uses to bar schools with high default rates from participating in federal student aid programs.[12] Many schools were substantially delaying any punitive actions against them, our work showed, by filing administrative appeals and lawsuits claiming that the data used to compute their default rates were inaccurate. While their appeals and lawsuits are being adjudicated, these schools are allowed to continue in the programs and their students are receiving federally guaranteed loans, subjecting the

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[12]Student Loan Defaults: Department of Education Limitations in Sanctioning Problem Schools (GAO/HEHS-95-99, June 19, 1995).

government to possible additional default costs and risking these students' ability to continue their education and causing them to incur additional debt. We recommended that the Congress give the Department the authority to hold schools liable for the costs of defaults on any loans made during the appeals process and to require these schools to post a performance bond as a condition of filing an appeal. Although Education has included such provisions in its proposals for the reauthorization of the Higher Education Act in the 105th Congress, the proposals have yet to be forwarded to the Congress.

In June 1997, we reported that students are obtaining federal student financial aid (grants and subsidized loans) for training at proprietary schools for occupations with a surplus of trained workers.[13] In the 12 states included in our review, we found that in fiscal year 1995, $273 million in federal funds subsidized the training of over 112,000 proprietary school students in occupations with projected labor supply surpluses. We recommended that the Congress–to help prospective students understand the usefulness of recent school graduation rates–expand the Student Right-to-Know Act requiring proprietary schools to report recent graduates' training-related job placement rates. We also recommended that Education ensure that prospective students have access to employment and earnings projections regarding their chosen training field in their locality. Education was receptive to our recommendations; however, it may be too early for either the Congress or the Department to have acted on the recommendations.

Increasing Affordability

Escalating college tuition and related costs and student debt levels have become an issue of growing concern to students and their families, college administrators, and government policymakers. As we reported in 1996, from 1980 to 1995, the average tuition charged undergraduate students at 4-year public colleges and universities increased 234 percent.[14] During approximately the same period, median household income increased 82 percent and the cost of living rose 74 percent. As college costs have continued to rise, state support has funded a diminished portion of public colleges' revenues, and increases in federal funds for grants have not kept pace with tuition increases, resulting in

[13]Proprietary Schools: Millions Spent to Train Students for Oversupplied Occupations (GAO/HEHS-97-104, June 10, 1997).

[14]GAO/HEHS-96-154, Aug. 15, 1996.

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students having to rely more heavily on student loans. This shift from grants to loans is contributing to students leaving college with rapidly increasing debt levels.

A growing number of states and schools have begun taking measures to deal with escalating college costs. For example, 17 states have implemented college savings or prepaid tuition plans through which families may prepay tuition at current levels to avoid higher payments when their children reach college age and enroll. Four more states will have college savings or prepaid tuition plans in place by the end of 1997, and the remaining 29 states are considering such plans. Examples of other measures taken or planned to deal with rising college costs include shortening the time needed to earn a degree and limiting tuition increases to the increase in the cost of living. No clear consensus exists, however, on how to best make college more affordable.

The federal government has not directly addressed the issue of how much tuition and fees colleges charge their students. The federal strategy in response to escalating college costs has been to steadily increase the amount of funds available for federal student financial aid programs–mostly through loans. For example, the Higher Education Amendments of 1992 greatly expanded access to student loans for students and their families. In addition, the recent budget agreement contains a number of tax benefit and other provisions designed in part to help Americans pay for higher education.

Our work on college affordability has involved analyzing information on the extent of the problem and identifying examples of measures taken or planned to address affordability. For example, our 1996 report reviewed the factors contributing to increases in tuition costs at 4-year public colleges and universities for the 15-year period ending with the 1994-95 school year. Rises in schools' expenditures, primarily for faculty salaries, and schools' greater dependence on tuition as a revenue source, according to our review, were mostly responsible for the increase in tuition. States vary widely in the amount per student they appropriate for higher education, we found, and this in turn has resulted in widely varying amounts of tuition that schools charge among the states–from $1,524 in Hawaii to $5,521 Vermont in school year 1995-96. The nationwide average tuition charged that year was $2,865.

In 1995, we reviewed the states' efforts to encourage families to save for college through college savings or prepaid tuition programs.[15] Seven states had such programs in 1995, and at least a dozen other states were considering implementing prepaid tuition programs. Most participants were middle and upper income families; lower income families were underrepresented probably due to their lack of discretionary income. Uncertainty about the potential federal tax liability for program participants was causing some states to delay implementing such programs, according to our review. The Congress passed a law in 1996 to resolve the tax issues, and this has contributed to several other states subsequently establishing these kinds of programs.

Improving Financial Aid Program Management and Oversight

The Department's management and oversight of the many student financial aid programs has been a challenging task mainly because it involves many different programs, millions of students, thousands of schools and lenders, multiple guaranty agencies and loan servicers, and numerous private entities. The Department's OIG, congressional committees, we, and others have well documented the Department's history of mismanagement, abuses, and other management and oversight problems regarding these programs. These concerns, coupled with the significant amount of federal dollars at risk, contributed to our decision in 1992 to designate the Federal Family Education Loan Program (FFELP) a "high-risk" area. Billions of FFELP funds have been highly vulnerable to fraud, waste, abuse, and mismanagement. In 1996, we expanded our consideration of high risk to all of the student financial aid programs in Education's purview.

As expected, with the significant amount of federal funds appropriated for student financial aid and the Department's history of poor management and fiscal accountability, we have focused considerable resources in reviewing how the Department manages these programs. (See encl. II, which shows the large number of products we have issued on these topics.) Our latest high-risk series report, issued in 1997, summarizes and updates both our continuing concerns about the Department's vulnerabilities in managing and overseeing the student aid programs as well as progress in strengthening the programs' fiscal and management controls and systems.[16] The following discussion highlights

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[15]College Savings: Information on State Tuition Prepayment Programs (GAO/HEHS-95-131, Aug. 3, 1995).

[16]High-Risk Series: Student Financial Aid (GAO/HR-97-11, Feb. 1997).

some of our concerns about Education's program administration, information resources management, and financial management of student financial aid as well as some of the Department's actions to remedy them.

Program Administration

In 1996, we reported that guaranty agencies operating under FFELP might be inclined, under certain circumstances, to spend part of their reserve funds on unnecessary expenditures for additional staff; the purchase of facilities, furniture, computers, and the like; or higher salaries.[17] These reserves, which are federal funds that the government may recover, would then not be available to the federal government or to the agencies to cover losses on defaulted loans that cannot be collected. To prevent some of these abuses, the Department subsequently issued regulations restricting the types of expenditures that the guaranty agencies may make.

In 1995, we found that Education did not adequately oversee the FFELP's information system's computer security, resulting in the system having serious security weaknesses that could lead to unauthorized access to sensitive FFELP data such as student loan files.[18] Nor were controls in place to prevent unrestricted access to several sensitive system software files, possibly resulting in unauthorized people altering records affecting monetary transactions. We recommended that the Department develop and implement a computer security administration program to oversee the security of FFELP's computer operations and made other recommendations regarding weaknesses we found. The Department fully agreed with all of our recommendations and has taken the actions necessary to correct the problems we identified.

To address many of its long-standing management and oversight problems, the Department recently began a major re-engineering effort, known as Easy Access for Students and Institutions, or Project EASI, which will redesign the entire student aid program delivery system. Education intends for this system to include management and control functions, including accounting, auditing and program reviews, and quality control procedures such as computer edit checks and applicant data checks. Although members of the higher education community are participating in this project, it has had a tentative start because

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[17]Guaranty Agency Finances (GAO/HEHS-96-81R, Mar. 11, 1996).

[18]Federal Family Education Loan Information System: Weak Computer Controls Increase Risk of Unauthorized Access to Sensitive Data (GAO/AIMD-97-117, June 12, 1995).

Education's top management's commitment to it has been uncertain. The Department has not determined how long it will be before Project EASI is fully implemented but expects it to be a long-term undertaking.

Information Resources Management

As new student aid programs were implemented during the past 30 years, the Department developed separate data systems to support each of these programs. It now has data systems for FFELP, the Federal Direct Loan Program (FDLP), the Pell grant program, and campus-based programs, and additional systems for other purposes. Over the years, we have identified a number of problems associated with the Department's data systems and its ineffective use of these systems.

In 1995, for example, we reviewed the Department's use of its data systems to ensure compliance with federal requirements and prevent the recurrence of defaults and abuse.[15] The Department did not effectively use its data systems, resulting in approximately 43,500 ineligible students receiving over $138 million in loans during fiscal years 1982 through 1992. We also found that, for school years 1989-90 through 1993-94, more than 48,000 students may have received Pell grant overpayments and over 35,000 students may have inappropriately received grants while attending two or more schools concurrently, which is prohibited under the program.

To address some of these problems, in 1994 the Department implemented the National Student Loan Data System (NSLDS), which is a central repository to receive and store student financial aid data for all student financial programs in one central database. NSLDS was designed in part to ensure that accurate and complete data are available on student loan indebtedness and to screen student aid applicants for prior defaults and grant award overages. In 1996, the Department reported that using NSLDS to prescreen loan applicants had prevented 125,000 previous defaulters from receiving new loans, avoiding as much as $310 million in future defaults. This also enabled Education to deny about $75 million in Pell grants to ineligible students.

Although NSLDS was envisioned as a central repository for student financial aid data, it is not readily compatible with most of the student financial aid systems.

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[15]Student Financial Aid: Data Not Fully Utilized to Identify Inappropriately Awarded Loans and Grants (GAO/HEHS-95-89, July 11, 1995).

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Most of these systems are operated by different contractors and have different types of computer hardware, operating systems, and other incompatible features.

Therefore, to allow NSLDS to accept data from these other systems, Education and its data providers currently use over 300 computer formatting and editing programs. This process is cumbersome, expensive, and unreliable.

In July 1997, we recommended that Education develop, by June 30, 1998, a Department-wide systems architecture as a framework to allow compatibility among all these systems.[20] The Department agreed with our recommendation. Although it is too early to determine what actions have been taken in response to our recommendations, continued support from senior-level Department management will be essential to ensure remedial actions.

Financial Management

The Higher Education Act of 1965, as amended, requires the Department to prepare annual financial statements for FFELP and requires these statements to be audited. This audit responsibility has been expanded with the Chief Financial Officers Act of 1990, which requires agencies to prepare consolidated or agencywide financial statements. Fiscal year 1994 was the third year these financial statements were prepared and audited, and, as in previous years, we reported that auditors found that accuracy and reliability concerns about data supporting the statements continued to prevent the Department from reasonably estimating the FFELP's costs.[21] The audit also found that the Department does not have systems or procedures in place to ensure the accuracy and validity of individual billing reports submitted by guaranty agencies and lenders. As a result, the Department's financial statements could not be given a "clean" audit opinion.

In response to these and other findings, Education has begun corrective actions. For example, it has initiated efforts to develop a comprehensive plan to address data integrity issues, and it is developing guidance for external auditors to use that requires them to test guaranty agencies' billings for default payments. The Department is also replacing its antiquated financial management systems with

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[20]Student Financial Aid Information: Systems Architecture Needed to Improve Programs' Efficiency (GAO/AIMD-97-122, July 29, 1997).

[21]Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Years 1994 and 1993 (GAO/AIMD-96-22, Feb. 26, 1996).

a new integrated financial system called Education's Central Automated Processing System. These and other actions Education is taking indicate that it is committed to resolving its financial management problems. A sustained effort, however, will be critical to the Department's having sound financial management and reliable financial information.

SCHOOL-TO-WORK AND YOUTH EMPLOYMENT ISSUES

The United States provides extensive opportunity for college education for a large proportion of its youth. Our colleges and universities are the envy of the world. Yet with workforce quality becoming a key element of U.S. competitiveness, the education and training of noncollege youth have become increasingly critical. In the late 1980s, the basic skills gap between the qualifications business needs for its employees and those of entry-level workers was widening. Jobs were demanding increasingly skilled workers, while many workers were inadequately prepared for the workforce. Our work on the transition of the nation's youth from school to work reviewed the extent to which the U.S. educational system focuses on youth not planning to go to college.

Some of our principal competitor nations have national policies that emphasize preparing noncollege youth for employment.[22] In the United States in 1988, 9 million of 33 million youth 16 to 24 years old would not have the skills that employers were demanding. In addition, only 15 percent of youth who entered the ninth grade completed high school and went on to obtain a 4-year college degree, our work showed. The majority–85 percent–got a job, obtained a 2-year degree, dropped out of high school or college, or did not enter the workforce.

In 1993, four states had begun to acknowledge this deficiency in their schools and started to develop comprehensive school-to-work transition systems.[23] These systems had four interrelated components:

– processes for developing academic and occupational competencies,

– career education and development,

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[22]Training Strategies: Preparing Noncollege Youth for Employment in the United States and Foreign Countries (GAO/HRD-90-88, May 11, 1990).

[23]Transition from School to Work: States Are Developing New Strategies to Prepare Students for Jobs (GAO/HRD-93-139, Sept. 7, 1993).

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- extensive links between school systems and employers, and

- meaningful workplace experiences.

In 1994, the Congress passed the School-to-Work Opportunities Act to encourage more states to develop such systems. In fiscal year 1998, the administration is asking for $400 million to continue to support the implementation of school-to-work systems through partnerships with states, localities, and the private sector. This is the same level of funding as in 1997 (see encl. IV), and the partnerships are jointly administered by the Departments of Education and Labor.

Programs to improve the skills of the nation's disadvantaged youth include title II-C of the Job Training Partnership Act (JTPA) ($130 million for fiscal year 1998), the summer youth program ($871 million), and Job Corps ($1.2 billion). The summer youth program provides summer jobs for over a half million low-income youth, providing them with work experience to use the skills they have learned in school and, for some, the opportunity to work on their reading and math skills. Although this program is generally viewed as successful because it provides youth with work experience, the remedial education component has not been consistently applied nationwide. In addition, effectiveness evaluation studies have not been conducted on this program.

The JTPA youth program operates year round providing skill training to disadvantaged, out-of-school youth. In 1990, this program served more job-ready and less job-ready youth in proportion to each segment's presence in the eligible population, but disparities existed in the services provided these two groups, according to our work. Those who were less job ready (and likely more in need of intensive services) were more likely to get less intensive services; those who were more job ready received more intensive services.[24] Amendments to JTPA in 1992 addressed this issue by requiring comprehensive needs assessments of all new program participants, reserving the lowest intensity services for those for whom they were most appropriate. More recently, the impact of this program has been questioned;[25] in response, the Labor Department is working with local programs to adopt "best-practice" approaches to improve program results.

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[24]Job Training Partnership Act: Youth Participant Characteristics, Services, and Outcomes (GAO/HRD-90-46BR, Jan. 24, 1990).

[25]Job Training Partnership Act: Long-Term Earnings and Employment Outcomes (GAO/HEHS-96-40, Mar. 4, 1996).

For those youth most severely disadvantaged–especially school dropouts–Job Corps provides an opportunity, away from their home environments, to obtain a high school degree or equivalent and occupational skill training in several areas. This program's high cost and mixed results have caused us to question its effectiveness.[26] Job Corps spends, on average, about $15,300 on each participant–four times the $3,700 spent by the JTPA youth program. Although 59 percent of Job Corps participants were placed in jobs (and another 11 percent enrolled in further education programs), about half of the jobs obtained by students from six centers we visited were low skill–such as fast food worker–and not related to the Job Corps training, according to our review. In addition, about a quarter of participants dropped out of the program in the first 60 days, and about 40 percent of program funds at the six centers we visited were spent on those who did not complete their vocational training. The 36 percent of participants who completed their training–at an average cost of $26,219–had better outcomes–they were five times more likely than noncompleters to obtain a training-related job; the completers also got 25 percent higher wages. Even though 112 centers were in operation in 1996, four states had no centers. In addition, this program is administered by the Labor Department, and not, like virtually all other job training programs, by the states. As a result, it may not be as well integrated with a state's other education and training programs as it could be.

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[26]Job Corps: High Costs and Mixed Results Raise Questions About Program's Effectiveness (GAO/HEHS-95-180, June 30, 1995).

SELECTED GAO PRODUCTS ON POSTSECONDARY EDUCATION ISSUES AND SCHOOL-TO-WORK AND YOUTH EMPLOYMENT TRAINING ISSUES

POSTSECONDARY EDUCATION

Ensuring Access

Higher Education: Verification Helps Prevent Student Aid Payments to Ineligible Noncitizens (GAO/HEHS-97-153, Aug. 6, 1997).

Campus Crime: Difficulties Meeting Federal Reporting Requirements (GAO/HEHS-97-52, Mar. 11, 1997).

Intercollegiate Athletics: Status of Efforts to Promote Gender Equity (GAO/HEHS-97-10, Oct. 25, 1996).

Higher Education: Selected Information on Student Financial Aid Received by Legal Immigrants (GAO/HEHS-96-7, Nov. 24, 1995).

National Service Programs: Americorps*USA–Early Program Resource and Benefit Information (GAO/HEHS-95-222, Aug. 29, 1995).

Pell Grant Costs (GAO/HEHS-94-215BR, Sept. 28, 1994).

Pell Grants for Prison Inmates (GAO/HEHS-94-224R, Aug. 5, 1994).

Higher Education: Information on Minority-Targeted Scholarships (GAO/HEHS-94-77, Jan. 14, 1994).

Student Financial Aid: Most Supplemental Education Opportunity Grants Are Awarded to Needy Students (GAO/HRD-92-47, Jan. 31, 1992).

Stafford Student Loans: Lower Subsidy Payments Could Achieve Savings Without Affecting Access (GAO/HRD-92-7, Jan. 6, 1992).

Raising Retention

Student Financial Aid: Federal Aid Awarded to Students Taking Remedial Courses (GAO/HEHS-97-142, Aug. 21, 1997).

Higher Education: Restructuring Student Aid Could Reduce Low-Income Student Dropout Rate (GAO/HEHS-95-48, Mar. 23, 1995).

Higher Education: Grants Effective at Increasing Minorities' Chances of Graduating (GAO/T-HEHS-94-168, May 17, 1994).

Improving Quality

Proprietary Schools: Poorer Student Outcomes at Schools That Rely More on Federal Student Aid (GAO/HEHS-97-103, June 13, 1997).

Proprietary Schools: Millions Spent to Train Students for Oversupplied Occupations (GAO/HEHS-97-104, June 10, 1997).

Student Loans: Default Rates at Historically Black Colleges and Universities (GAO/HEHS-97-33, Jan. 21, 1997).

Higher Education: Ensuring Quality Education From Proprietary Institutions (GAO/T-HEHS-96-158, June 6, 1996).

Student Loan Defaults: Department of Education Limitations in Sanctioning Problem Schools (GAO/HEHS-95-99, June 19, 1995).

Default Rates at Historically Black Colleges and Universities (GAO/HEHS-94-97R, Mar. 9, 1994).

Student Financial Aid Programs: Pell Grant Program Abuse (GAO/T-OSI-94-8, Oct. 27, 1993).

Parent and Supplemental Student Loans: Volume and Default Trends for Fiscal Years 1989 to 1991 (GAO/HRD-92-138FS, Sept. 22, 1992).

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School Accreditation: Activities of Seven Agencies That Accredit Proprietary Schools (GAO/HRD-90-179BR, Sept. 12, 1990).

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States' Average College Tuition (GAO/HEHS-96-213R, Sept. 19, 1996).

Higher Education: Tuition Increasing Faster Than Household Income and Public Colleges' Costs (GAO/HEHS-96-154, Aug. 15, 1996).

Land-Grant College Revenues (GAO/HEHS-96-10R, Oct. 20, 1995).

College Savings: Information on State Tuition Prepayment Programs (GAO/HEHS-95-131, Aug. 3, 1995).

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Student Financial Aid: Characteristics of Jobs Provided Through the College Work-Study Program (GAO/HRD-92-72BR, Feb. 21, 1992).

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Consolidated Student Loans: Borrowers Benefit But Costs to Them and the Government Grow (GAO/HRD-90-8, June 15, 1990).

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Student Financial Aid Information: Systems Architecture Needed to Improve Programs' Efficiency (GAO/AIMD-97-122, July 29, 1997).

The Results Act: Observations on the Department of Education's June 1997 Draft Strategic Plan (GAO/HEHS-97-176R, July 18, 1997).

Student Loans: Potential Effects of Raising Statutory Audit Threshold (GAO/HEHS-97-111R, May 20, 1997).

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Programs for Land-Grant Schools (GAO/HEHS-96-91R, Mar. 28, 1996).

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Department of Education: Efforts by the Office for Civil Rights to Resolve Asian-American Complaints (GAO/HEHS-96-23, Dec. 11, 1995).

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Direct Student Loans (GAO/HEHS-95-225R, Aug. 25, 1995).

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Federal Family Education Loan Information System: Weak Computer Controls Increase Risk of Unauthorized Access to Sensitive Data (GAO/AIMD-95-117, June 12, 1995).

Direct Student Loans: Selected Characteristics of Participating Schools (GAO/T-HEHS-95-123, Mar. 30, 1995).

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HEAF 1992 Financial Condition (GAO/HRD-93-21R, June 18, 1993).

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Department of Education: Long-Standing Management Problems Hamper Reforms (GAO/HRD-93-47, May 28, 1993).

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Guaranteed Student Loans: Eliminating Interest Rate Floors Could Generate Substantial Savings (GAO/HRD-92-113, July 21, 1992).

Department of Education: Management Commitment Needed to Improve Information Resources Management (GAO/IMTEC-92-17, Apr. 20, 1992).

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Student Loans: Direct Loans Could Save Money and Simplify Program Administration (GAO/HRD-91-144BR, Sept. 27, 1991).

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SCHOOL-TO-WORK AND YOUTH EMPLOYMENT TRAINING

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MAJOR POSTSECONDARY EDUCATION PROGRAMS APPROPRIATIONS FOR FISCAL YEARS 1997 AND 1998

Major program	Appropriations (in millions)	
	1997 (actual)	1998 (request)
Pell grants	$5,919.0	$7,635.0
Supplemental Educational Opportunity Grants	583.4	583.4
College work study	830.0	857.0
Perkins loans	178.0	188.0
State Student Incentive Grants	50.0	0.0
Family Education Loans	177.0	2,125.6
Direct loans	600.9	1,283.3
Other aid for students	565.7	732.3
Other higher education	287.9	276.0
Howard University	196.0	196.0
College housing and academic facilities loans	3.7	4.1
Historically black colleges capital financing	0.1	0.1
Total	**$9,391.7**	**$13,880.8**

Source: Department of Education Fiscal Year 1998 Budget Summary.

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ENCLOSURE IV

MAJOR SCHOOL-TO-WORK AND YOUTH TRAINING PROGRAMS APPROPRIATIONS FOR FISCAL YEARS 1997 AND 1998

Program	Appropriations (in millions)	
	1997 (actual)	1998 (request)
School-to-Work	$400.0	$400.0
Summer Youth	871.0	871.0
JTPA-Youth	126.7	130.0
Job Corps	1,153.5	1,246.2
Total	**$2,551.2**	**$2,647.2**

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